

Q&A Concerning Human Services Budget Cuts

Prepared January 12, 2009

How do you know that people being served by Human Services don't have other resources they should be using instead?

- Before we deliver services, clients meet eligibility requirements and needs assessments.
- Most clients are Medicaid eligible, which limits a family of four to an income of \$21,200 or less and assets of \$3,000.
- Beyond the asset test, clients must meet specific criteria for vulnerability/lack of protection.
- Clients are re-evaluated regularly/annually for changes in circumstances.
- Some services, such as Substance Abuse, charge a sliding fee based on client income.
- When we do find that a third party or insurance company could pay, the Office of Recovery Services attempts to collect and returns in excess of \$1 million annually to the state.

Why can't community groups or churches serve the Department of Human Services' (DHS) clients instead?

- DHS works with volunteers in almost all of its programs already.
- Community groups and churches say they are at or beyond current capacity.
- Intermittent lay volunteers may not always give the appropriate level of care needed to adhere to federal/state law and maintain access in rural areas.
- Many community providers will not take liability posed by violent/abusive clients.

Why can't DHS just "rollback" money received in the past two years and leave programs intact?

- Growth over past years came in three areas; provider rate increases, caseload increases and employee compensation, all of which are difficult to re-capture once in place.
- The Legislature appropriated the employee wage increases and provider rate increases in recent years to maintain quality services.
- No new programs have begun in the past two years, and all new, unspent FY08 money was cut in the September 2008 Special Session. No new clients were allowed in those services.
- Demand for services is not at 2007 levels; caseloads continue to increase and without new money, effectuate additional cuts anyway.

Why can't DHS take the 15% (\$44 million) cut in administrative expenses and leave programs intact?

- Total DHS administrative expense is less than 5% of the total (\$12.8 million of \$290 million General Fund).
- DHS was cut 20% in administrative expense FY2002-04 and never restored.
- DHS administration was cut \$2.4 million in September 2008 special session, including eliminating desk phones, delaying computer purchases, and reducing monitoring staff.
- DHS administrative functions provide important accountability for taxpayer money.
- DHS' \$300 million in federal funds and 41 federal programs require certain accountability compliance.

Are counties "disproportionately affected" by some cut scenarios?

- Counties deliver nearly all services for three of DHS' six program areas (aging, mental health, substance abuse) and therefore, are a big portion of the available pie.
- DHS neither targeted nor protected any particular provider, we sorted by other factors.
- DHS prioritized programs based on serving children and that left all other constituencies, regardless of who delivered the service, with a deeper cut impact.
- A more useful question is why we are pitting one human services program against another instead of analyzing it across all of state government? DHS does not recommend cutting Human Services programs by 15% in addition to Special Session cuts.

What are some of the problems with “across the board” cuts in Human Services?

- Across the board cuts are mechanical and do not take into account the public policy considerations such as whether a vulnerable two-year-old child's need for foster care is equal to a 50-year-old drug offender's need for treatment. Value judgments must be made to protect the community's core expectations of state government.
- Across the board cuts are not the wisest way to minimize loss of federal matching funds; for example, an arbitrary 15% cut to DCFS General Fund is \$15 million and would result in a loss of up to \$10 million in Federal Funds.
- Across the board cuts are not the wisest way to minimize job loss for Utahns.
- Across the board cuts are not the most efficient way to preserve infrastructure that Utah taxpayers have already paid for; for example, temporarily closing a unit at the State Hospital might make more sense than closing several community mental health centers that may never re-open.
- Across the board cuts will result in greater risk of public interest lawsuits and will put the state in violation of state and federal law. For example, Utah recently won the federal lawsuit on disability funding and exited the federal lawsuit on child protection as a result of the legislature's ongoing attention and public policy decisions. Those decisions would be undercut by across the board cuts in such volatile areas.
- It makes good business sense to protect the Office of Recovery Services (ORS) from additional cuts when ORS brings in millions of dollars to the state and receives federal matching and federal incentive funds because of its 4 to 1 collection ratio. A 15% cut to ORS General Fund is \$2.4 million and will result in a direct loss of 90 employees, \$2.9 million in General Fund Collections, \$4.6 million in Federal Funds, \$2 million in increased Medicaid costs, and \$26 million lost income to families. Indirect losses and penalties would be higher.
- It makes good business sense to protect the Division of Child and Family Services (DCFS) from additional cuts because children's lives are literally at stake if they are left in dangerous situations. DCFS took substantial cuts in the Special Session and will be adversely affected by the cuts being contemplated to mental health and substance abuse treatment – which parents need.
- It makes good business sense to protect Disabilities from additional cuts because it could place the state in an 'all or nothing' position with the Medicaid waiver, which cannot legally be partially reduced. Also, ever-increasing costs for disabilities will already constitute a cut if we do not receive any new funding. A 15% cut to DSPD Medicaid waiver services is \$5.6 million and would result in a loss of \$15 million in federal funds and over 600 people losing Waiver services. There are legal and practical problems with attempts to eliminate or partially eliminate waiver services that may delay or preclude implementing this cut.

Isn't there other internal cost-cutting DHS could be doing?

- Ongoing efficiencies are achieved regularly and either plowed back into budget or taken away from DHS. One example: DCFS performed a utilization review in 2006 and successfully cut expenses for foster care, but the savings were used by the Legislature as an offset to pay for caseload growth and out-of-home treatment costs with one-time money; which presents DCFS with a shortfall for FY 2010.
- Additional efficiencies that were cut in the 2008 Special Session include; ORS mailroom efficiencies of \$100,000, USH staffing efficiencies of \$181,500, USDC staffing efficiencies of \$1,000,000, USDC/USH maintenance consolidation of \$330,000 and DCFS contract monitoring consolidation of \$224,800
- We have already frozen travel, hiring, food and other expenses in August, 2008. Some travel is necessary for transporting clients/patients and conducting inspections/monitoring. Medicaid requires a face-to-face visit in disabilities programs.
- Mileage reimbursements for state employees were cut last month.
- Cuts and efficiencies occur in state agencies every year because inflationary costs are not recognized or funded. For example, we do not seek building blocks for lease increases or utility costs.

Could DHS increase caseloads in some areas and cut costs in that way?

- We are always reviewing reasonable caseload standards and evaluating this idea; the Division of Services for Disabilities recently increased caseworkers' caseloads by 10% from 1/30 to 1/33 ratio.
- Caseloads are set to insure maximum accountability for the use of taxpayer dollars and provide quality services; gatekeeper function is weakened with higher caseloads.
- The Legislative Auditor General recommended caseloads now used by DCFS; and the Joint Accreditation of Healthcare Org sets caseload standards for the Utah State Hospital.
- If caseloads are too high, it may put clients at health and safety risk.

What effect would a provider rate rollback have on programs?

- Provider rate increases were granted by the Legislature in order to help these companies maintain the quality and availability of services.
- Balance the need for rate rollbacks with the need to keep providers industry robust; the state cannot currently step in and provide services if providers go out of business.
- Provider groups assert that their wages/ reimbursement rates are below market levels even with recent rate increases.
- Providers are the backbone of DHS services if we intend to stay privatized.
- Provider rate cuts may cause providers to serve fewer clients – having the effect of a program cut anyway.

Why can't DHS charge its clients increased fees and cut costs in that way?

- Fees are in place for many DHS programs, including child support collection, licensing, some disabilities services, and some substance abuse services.
- Parents of children in state custody pay child support to the state.
- Seniors make donations to help cover costs of meals served.
- Federal law limits the amount of fees we can charge in aging programs, child support collection and others.
- Many DHS clients are indigent and seek state aid because they lack money to pay for services; Medicaid eligibility limits a family of four to income of \$21,200 or less and assets of \$3,000.
- Fees can be a disincentive to getting help; counterproductive to stated goal of improving safety and well being of our community.

Could DHS privatize more operations and cut costs in that way?

- DHS already has over 700 contracts with private companies; we pay \$150 million to them for services.
- DHS conducts ongoing investigations into a business case for privatization and has recently privatized the radiology services at the State Hospital, for example.
- Private providers bring their own unique pressure on costs – we must either pay rate increases or risk losing providers. They are able to choose other business partners.
- Private providers must still be monitored by DHS for legal compliance and therefore, DHS administrative staff is still needed.
- There is a loss of control with private contracts. As we saw this year with the Detention Center re-bid, the state can end up paying much higher costs over time, regardless of budget; while, if it is state-operated, it can be cut immediately.
- There are startup and transition costs with moving to a private contract that may not be affordable during a budget cut.

Could DHS cut more of its mid-level program management staff, leaving executives, field staff and financial accountability intact?

- We are continually looking for ways to streamline management and maintain accountability; we collapsed regions in DSPD recently, consolidated Administrative Services with the Office of Fiscal Operations and eliminated program managers in the Executive Director's Office.
- The Special Session cuts resulted in elimination of program managers in DCFS.
- Mid-level management is essential to maintaining staff compliance and program control in a 5,000 employee department.
- Administrative expenses are still less than 5% of total DHS budget.

Could DHS employees sustain a wage/benefit decrease in lieu of program cuts?

- Human Services employees have the lowest average hourly wage in state government (\$16/hr.) and 75% of them are at the lowest step in their pay range.
- Social workers have some of the most stressful working conditions in society and receive daily criticism from the public for performing “no-win” tasks that no one else is willing to perform; such as removing children from an abusive parent or caring for a violent mentally ill adult that assaults them.
- Turnover due to wage cuts is especially devastating in Human Services where the key job skill is judgment seasoned by on-the-job experience. Making decisions about people's personal lives is better done by employees with longevity and job satisfaction.
- While some Human Services benefits are slightly above market conditions, their wages are consistently below market.
- Recent employee cost-of-living increases were appropriated by the Legislature in recognition of the need for stable, quality services.